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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Southern California Gas
Company (U904G) and San Diego Gas &
Electric Company (U902G) for Authority to
Revise their Curtailment Procedures.

A.15-06-020
(Filed June 26, 2015)

**RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO JOINT
MOTION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), SAN DIEGO
GAS & ELECTRIC COMPANY (U 902 G), AND OTHER SETTLING PARTIES FOR
ADOPTION OF SECOND DAILY BALANCING PROPOSAL SETTLEMENT
AGREEMENT AND REDUCTION OF COMMENT PERIOD**

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Pursuant to Rule 12.2 of the California Public Utilities Commission’s (CPUC’s or the Commission’s) Rules of Practice and Procedure, Southern California Edison Company (SCE) respectfully contests the Joint Motion of Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E) (together SoCalGas/SDG&E), and other settling parties (collectively the Settling Parties) for Adoption of Second Daily Balancing Proposal Settlement Agreement (Settlement Agreement) and Reduction of Comment Period (Motion).

I.

INTRODUCTION

SCE respectfully requests that the Commission decline to approve the Motion and Settlement Agreement. SCE does not object to what is in the Settlement Agreement; SCE objects to what is missing. More specifically, while SCE supports certain aspects of the Settlement Agreement, overall, SCE cannot not support a request for approval of a “Daily Balancing” agreement that falls far short of requiring SoCalGas/SDG&E to take reasonable efforts to balance its system to support gas and electrical system reliability while Aliso Canyon is

unavailable or constrained. SoCalGas/SDG&E core load represents 60 percent of the total gas demand during peak winter events. The failure to require the majority gas user to balance its gas supplies with its gas demand further undermines the reliability of a gas system that is already adversely impacted by the restricted operations at Aliso Canyon. Because there is no operational challenge in requiring SoCalGas/SDG&E to balance core gas supplies and demand, the Commission should adopt SCE's simple proposal as part of its consideration of the Settlement Agreement. Adoption of SCE's core balancing proposal will enhance the reliability of the gas system for all customers and will not adversely impact core gas costs. In contrast, failure to adopt SCE's core balancing proposal will result in a less reliable gas system for all customers and inequitably place the balancing requirements of the entire gas system on just noncore customers.

In pleadings in this proceeding, SoCalGas/SDG&E has opposed parties' requests that the Commission require SoCalGas/SDG&E use the same requirements to balance core and noncore customer load. Instead, SoCalGas/SDG&E has insisted that it should balance core customer load to a forecast of core gas demand, while noncore customers balance to their recorded (*i.e.*, actual) demand. SoCalGas/SDG&E have inaccurately contended that the unavailability of Advanced Metering Infrastructure (AMI) data and the cost associated with implementing systems to utilize such data prevents it from balancing the core gas supplies to core recorded demand. However, SoCalGas/SDG&E does not require perfect, real-time data to reasonably balance its core gas deliveries to recorded core demand. Similar to noncore customers, SoCalGas/SDG&E merely needs to estimate core gas demand and deliver sufficient gas supplies to remain within the day's specified balancing tolerance. If SoCalGas/SDG&E is uncertain about its forecasted gas demand, it can incorporate a positive or negative margin into its gas procurement decisions similar to what noncore customers do on a daily basis to ensure compliance with daily balancing requirements.

SoCalGas/SDG&E's noncore customers must manage their daily balancing requirements without the benefit of perfect real time AMI data while, particularly in the case of electric

generators, considering more variables than those that impact end-use customer demand. Likewise, other gas local distribution companies (LDCs) in the country estimate customer demand and manage their “core” procurement balancing requirements notwithstanding a lack of sophisticated technology systems.

Balancing to recorded usage requires no new technology or procedures and relies on data that is readily available to SoCalGas/SDG&E. Recorded core usage figures are available in their most refined form at the end of each billing month. Using such data is consistent with SoCalGas Rule 30.G.1, which states: “The daily measurement quantity used to calculate the Noncompliance Charge for each Low OFO event will be the daily quantity recorded as of the month-end close of the applicable month.”¹ The only potential additional expense associated with balancing to recorded usage would be for noncompliance charges for each Operating Flow Order (OFO) or Emergency Flow Order (EFO) event. Such costs will likely be minimal because the risk of charges will motivate SoCalGas/SDG&E to adjust its gas deliveries in real time to more closely match its estimates of core gas demand. Such a procedure stands in stark contrast to SoCalGas/SDG&E’s current practice of delivering gas supplies to match a stale forecast of core demand.

Failure to require SoCalGas/SDG&E to adjust its gas deliveries in anticipation of changes in core demand will undermine the reliability of gas system at the expense of the noncore customers who are required to balance their gas supplies to recorded gas demand. There is no good policy or operational reason to not require SoCalGas/SDG&E to balance core supplies to core recorded demand similar to all other customers.

¹ SoCalGas Rule 30.G.1.h at Sheet 14, <https://socalgas.com/regulatory/tariffs/tariffs-rules.shtml>.

II.

HEARINGS ARE NOT REQUIRED BECAUSE ALL MATERIAL FACTS ARE EITHER NOT SUBJECT TO REASONABLE DISPUTE OR CAN BE EXPEDITIOUSLY RESOLVED USING A WRITTEN RECORD

Hearings on the issues identified by this contest to the Settlement Agreement are not required because all of the relevant and material facts, which are relatively straightforward, are not subject to reasonable dispute. If issues of material fact exist, the Commission can readily resolve and dispose of those issues based on a written record supplied by the parties through data requests or an expedited briefing schedule.

In addition to the Declaration of Cathy Yap,² which this pleading incorporates by reference, the following facts are relevant.

1. SoCalGas/SDG&E's core customers represent up to 60 percent of the load during the winter.
2. Electric generators, which are not core customers, are the first to be curtailed during a gas system shortfall, irrespective of the cause of the gas shortfall.
3. Noncore customers lack access to perfect information and have load that is less stable, harder to revise in real time, and dependent upon many more factors than temperature. SoCalGas/SDG&E, by contrast, has admitted that "[c]hanges in bundled core usage are almost always a function of temperature variation, and changes in temperature occur over time—they are almost never as dramatic, at least from a system operator standpoint, as a large quick-start electric generation unit starting up on an un-forecasted basis."³

² Decl. of Cathy Yap attached to the 8/17/16 Customer Coalition Mot. for Consideration of Winter Reliability Measures (explaining how SoCalGas/SDG&E will be able to balance its deliveries for the bundled core customers on a given Gas Day as closely as possible to the actual burn using all information available to it).

³ SoCalGas/SDG&E's Response to the 9/22/16 Customer Coalition Motion for Consideration of Winter Reliability Measures at p. 21.

4. During the five year period between 2011 and 2015, SoCalGas/SDG&E's core usage forecasts have deviated from actual usage by at least 5% on 78% of winter days, by at least 10% on nearly 60% of winter days, and by 25% or more on about 20% of the winter days.⁴
5. On August 22, 2016, the CPUC, the California Energy Commission, the California Independent System Operator, and the Los Angeles Department of Water and Power Aliso Canyon Gas and Electric Reliability Winter Action Plan (Winter Action Plan) reinforced the conclusions reached by Cathy Yap in her declaration in support of the Customer Coalition's August 17 motion.⁵ One of the mitigation measures the Winter Action Plan recommended to prevent forecast error from causing system stress was for the Commission to require SoCalGas/SDG&E balance core demand to actuals.⁶

III.

THE COMMISSION SHOULD NOT APPROVE A SETTLEMENT THAT DOES NOT ADEQUATELY PROTECT SYSTEM RELIABILITY

A. SoCalGas/SDG&E Do Not Require Perfect, Real-Time AMI Data to Better Balance the Gas System

SoCalGas/SDG&E has repeatedly argued in pleadings filed in this proceeding that it cannot balance to actuals because it does not have perfect, real-time AMI data to balance to actual demand and that time consuming and costly technology upgrades are necessary to obtain such data. As discussed in the introduction, those arguments are red herrings. While it is true that SoCalGas/SDG&E does not presently have access to perfect, real-time AMI data, it does not

⁴ 8/17/16 Customer Coalition Motion for Consideration of Winter Reliability Measures at p. 12.

⁵ Winter Action Plan, Table 2 at p. 12.

⁶ *Id.* at p. 21.

require such data to more effectively balance its core gas deliveries against recorded core gas demand.

SoCalGas/SDG&E's noncore customers must manage their balancing requirements without the benefit of perfect, real-time AMI data, and must consider far more variables when doing so. Likewise, other gas LDCs in the country estimate customer demand and manage "core" procurement balancing requirements, notwithstanding a lack of advanced technology systems. SoCalGas/SDG&E -- one of the largest and most sophisticated LDCs in the country -- can do the same.

Specifically, the Commission should adopt tariff provisions that require SoCalGas to balance actual core gas deliveries against recorded core gas usage on OFO days.⁷ Balancing to estimated actual usage requires no new technology or procedures and relies on data that is readily available to SoCalGas/SDG&E. Recorded core usage figures are available in their most refined form at the end of each billing month. Using such data is consistent with SoCalGas Rule 30.G.1, which states: "The daily measurement quantity used to calculate the Noncompliance Charge for each Low OFO event will be the daily quantity recorded as of the month-end close of the applicable month."⁸ The only potential additional expense associated with balancing to estimated actual usage is for noncompliance charges for each OFO or EFO event. SCE believes such costs will be minimal because the risk of incurring OFO or EFO charges will motivate SoCalGas/SDG&E to adjust its gas deliveries to better match expected core demand.

Noncore customers face OFO and EFO charges even though they lack access to perfect information and, unlike SoCalGas/SDG&E's core customers, in many cases have load that is less stable, harder to revise in real time, and that is dependent upon many more factors than

⁷ Recorded gas demand (also referred to as estimated actual core usage) is the total gas receipts (receipts from upstream pipelines, storage withdrawals, reductions in pipeline inventory, etc.) minus total known gas deliveries (noncore customers, storage injections, increases in pipeline inventory, off-system deliveries, etc.).

⁸ SoCalGas Rule 30.G.1.h at Sheet 14, <https://socalgas.com/regulatory/tariffs/tariffs-rules.shtml>.

temperature. It is therefore in noncore customers' interest to bias gas deliveries slightly low during a high OFO and slightly high during a low OFO or EFO. SoCalGas/SDG&E can similarly alter its behavior. If it does so and core gas deliveries and within specified imbalance tolerances relative to core recorded gas demand, SoCalGas/SDG&E should not incur OFO or EFO charges that increase core customer costs. It is reasonable to require SoCalGas/SDG&E's core customers, who represent 60% of the load during the winter, to balance under the same rules that noncore customers must comply with, particularly since noncore customers will be curtailed first to ensure reliable gas supplies for core customers.

If the Commission adopts SCE's simple and straightforward proposal, it can be implemented immediately, requires no new costly technology, and will properly incent SoCalGas/SDG&E to engage in its best efforts to more accurately balance its system.

B. The Commission is Not Bound by Decision (D.) 07-12-019

In prior pleadings, SoCalGas/SDG&E has cited D.07-12-019 for the proposition that the Commission has already decided that it is not possible for SoCalGas/SDG&E to balance to actuals. It is correct that D. 07-12-019 concluded that SoCalGas/SDG&E should balance its core customer load to a forecast because it did not have access to real-time usage information from each customer. However, the fundamental facts that existed when the Commission issued D. 07-12-019 markedly differ from those that exist today. The reason the Commission is not bound by its prior decisions is that factual circumstances and public policy positions change.⁹ The Commission has the discretion to and does independently review each case on its own merits and facts to arrive at the correct outcome. It is appropriate for the Commission to evaluate the facts that presently exist and to remove, at least for now, the accommodation that allowed

⁹ See, e.g., D.93-12-051 ("The Commission has the discretion to reach different conclusions in different cases as a matter of policy because of their unique facts . . ."). This decision's holding and others have been upheld by California Courts of Appeal and the California Supreme Court from as far back as 1925.

SoCalGas/SDG&E to balance to a forecast, as opposed to recorded demand. Fundamental factual changes since the Commission decided D.07-12-019 include:

1. It is no longer the case that “[t]he only time core could potentially use system balancing assets is when storage inventory becomes full each October.”¹⁰ In D. 16-06-039, the Commission approved a settlement that provides the exact same load balancing service to core as to noncore customers.¹¹ As a result, SoCalGas/SDG&E’s core no longer provides its own unique load balancing service.
2. D.07-12-019 concluded that “[g]iven total system inventory capacity of about 131 Bcf, an imbalance at an expected level of about 2 Bcf could be managed.”¹² The storage level in the winter of 2016-2017 will be much lower than 131 Bcf. According to the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin (Summer Action Plan),¹³ the total system inventory without Aliso Canyon is only 49 Bcf, and increases to 64 Bcf if the 15 Bcf currently stored in Aliso Canyon is included. Even if Aliso Canyon is included, the amount of available gas storage is less than 50% of what was used to make the determination that it was acceptable for SoCalGas/SDG&E to balance its core usage to a forecast.
3. D.07-12-019 provided that “[u]nder Applicants’ proposal, core will only be the supplier of last resort to the extent that other tools utilized by the System Operator fail to ensure system reliability.”¹⁴ Core is no longer the supplier of last resort.

¹⁰ D. 07-12-019, Issued December 7, 2007, Paragraph 5.1.2, at page 56.

¹¹ D. 16-06-039, Issued June 28, 2016, Ordering Paragraphs 13 and 15, at pages 64 – 65.

¹² D. 07-12-019, Issued December 7, 2007, Paragraph 5.1.2, at page 56.

¹³ Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin, Prepared by the Staff of the California Public Utilities Commission, California Energy Commission, the California Independent System Operator, and the Los Angeles Department of Water and Power, April 5, 2016, Table 1, at page 7.

¹⁴ D. 07-12-019, Issued December 7, 2007, Paragraph 5.1.2, at page 56.

Instead, D. 15-06-004 authorized SoCalGas to replace winter balancing rules and standby procurement procedures with low OFO and Emergency Flow Orders.¹⁵

In addition, D. 16-07-008 authorized SoCalGas to revise its curtailment procedures to curtail electric generation load in its first two curtailment steps.¹⁶

Accordingly, SoCalGas/SDG&E's core customers no longer provide supplier of last resort functions. Instead, one can argue that electric generators are the suppliers of last resort during a curtailment.

Finally, data now shows that allowing SoCalGas/SDG&E to balance to a forecast instead of its recorded demand may actually harm gas system operations and reliability. During the last five years, core forecasts have deviated from actual usage by at least 5% on 78% of winter days, by at least 10% on nearly 60% of winter days, and by 25% or more on about 20% of winter days.¹⁷ Forecast inaccuracies from the core can impact gas system operations by exacerbating OFOs and EFOs, or affect gas system reliability if the core forecast is excessively low on a peak or near peak day.

C. The Commission Should Make the Following Tariff Changes to Implement SCE's Proposal

The Commission should adopt SCE's proposal and require the following changes to SoCalGas's Rule 1 Tariff:

Daily Forecast Quantity: The estimated actual gas usage determined as the daily difference between physical gas receipts into the gas system and physical gas deliveries other than to core customers. ~~A forecast of core customer daily usage as provided by the Utility's Demand Forecasting Group (in the Regulatory Affairs department) using a consistent daily load forecast equation and will be developed no sooner than two hours before the start of flow day. Weather forecasts input into the equation will be from an independent third party and the most current available as of 7:00 a.m. of flow day.~~

¹⁵ D. 15-06-004, Issued June 16, 2015, Ordering Paragraphs 7 and 11, at pages 42-43.

¹⁶ D. 16-07-008, Issued July 18, 2016, at pages 4-5.

¹⁷ 8/17/16 Customer Coalition Mot. for Consideration of Winter Reliability Measures at p. 12.

IV.

CONCLUSION

For the foregoing reasons, SCE respectfully requests that the Commission decline to approve the Motion and Settlement Agreement. Instead, the Commission should require that any Settlement Agreement include provisions to protect gas system reliability while Aliso Canyon has limited or no availability this winter by requiring SoCalGas/SDG&E to balance its core gas deliveries against recorded gas demand.

Respectfully submitted,

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